Acquisition Community Gathers at DSMC for Ninth PEO/SYSCOM Commanders' Conference

## "Going Commercial — Building On Our Achievements"

LEON REED

The Program Executive Officer/ Systems Command (PEO/SYS-COM) Commanders' Conference is one of the longest running forums to review progress in achieving DoD's acquisition reform objectives. Nearly 500 representatives of the DoD acquisition community and defense industry came to DSMC Oct. 19-20 to exchange success stories and lessons learned at the ninth conference in this continuing series. Building on the results of the spring PEO/SYSCOM Commanders' Workshop, the fall conference focused on "Going Commercial — Building on Our Achievements."

Keynote Address

DSMC's new commandant, Air Force Brig. Gen. Frank J. Anderson Jr., welcomed the attendees to DSMC, stressing that it is "critical that we do better at implementing commercial initiatives." As is the custom at these high-level but informal sessions, Dr. Jacques S. Gansler, Under Secretary of Defense (Acquisition, Technology, and Logistics), served as the conference keynote speaker. Congratulating the audience on the real accomplishments achieved to date, he challenged them to continue this progress.

Gansler noted that dramatic changes are required in the way DoD and industry operate because of rapid changes in technology and the threat environment. He noted new and changing sources of instability in the world, including nuclear detonations by India and Pakistan, at-
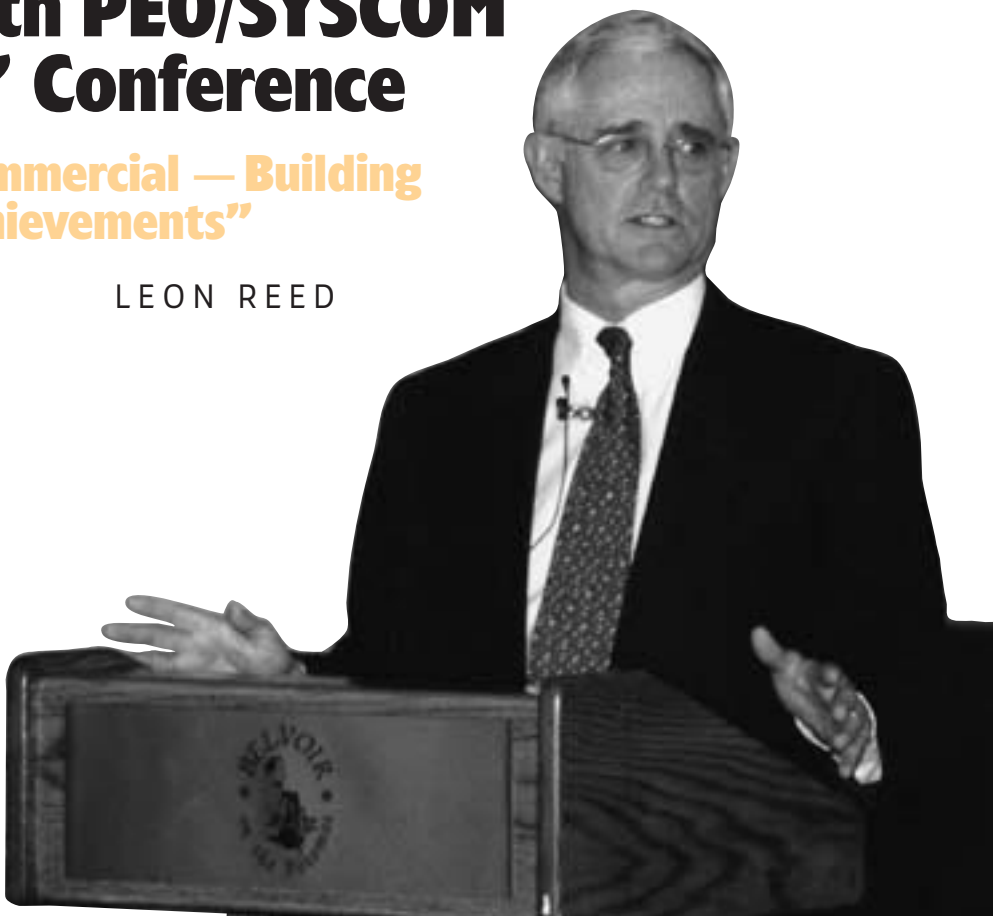
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> —Dr. Jacques S. Gansler
> Under Secretary of Defense
> (Acquisition, Technology and Logistics)

Reed is a member of the research staff, Institute for Defense Analyses, Alexandria, Va.

tacks on U.S. embassies, increased threats from cyber-war and chemical-biological capabilities, and recent instability and conflict in Kosovo. As a result, he stated that, "Threats I would have talked about two years ago as potential threats for the 21st century now are here." This has changed the way DoD must approach many problems. "We're truly seeing a change in our military requirements, tactics, strategy, doctrine, and requirements for coalition warfare, all happening at the same time as you in industry are seeing a globalization of industry and a consolidation of industry taking place."

Gansler also pointed out that the advanced technologies that we require for military performance increasingly are available to potential adversaries, quickly and at relatively low cost, either in commercial or international arms markets. "When you see our systems going through a 12- to 15-year development cycle, and an 18-month life cycle for information technology, something doesn't add up," said Gansler. "We need to change the way we buy and field new systems. We need to follow a spiral requirements process, where we put things in the field and then improve them. In addition, unless we get ways to dramatically reduce the costs of these systems, we won't be able to afford them."

Gansler noted that he has continued to pursue the same four top priorities during his entire tenure in office.

Give Warfighters the Right Equipment

First, DoD "must equip 21st century warfighters with the right equipment." This requires implementing the Revolution in Military Affairs with a major emphasis on low-cost, all-weather, precision capabilities; counters to asymmetric threats (cyber warfare, low-tech weapons of mass destruction); and interoperability with our allies. Recent experience suggests that U.S. military units will continue to be called on to participate in multinational forces, and interoperability will continue to grow in importance.

Generate Resources to Pay for New Forces

Second, DoD must generate the resources to pay for new forces through the Revolution in Business Affairs. DoD must change the way it does business, including more reliance on competitive sourcing, privatization of housing, as well as "full implementation of the acquisition reforms we've begun and expanded over the past few years." Gansler called for DoD to apply "nontraditional approaches" such as much more use of commercial equipment, integrated digital environment, and further civil-military integration to take advantage of commercial practices such as lean manufacturing.

FROM LEFT: STAN SOLOWAY, DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM); R. NOEL LONGUEMARE, CONSULTANT; DAVID OLIVER, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION, TECHNOLOGY AND LOGISTICS); AND AIR FORCE BRIG. GEN. FRANK J. ANDERSON JR., DSMC COMMANDANT.

From left: Louis Kratz, Director, Logistics Systems Reengineering, DUSD(L); Blaise Durante, Deputy Assistant Secretary of the Air Force for Management Policy and Program Integration; and Eileen Roberson, Navy Acquisition Reform executive.

Showing their teamwork – members of the "Track 1 PBA: Point/Counterpoint" Panel. From left: Herm Reininga, Vice President for Operations, Rockwell Collins; Larry Uhlfelder, Assistant Director, Policy & Plans, Defense Contract Audit Agency; Meredith Murphy, Director of Business Affairs and Acquisition Policy, The Boeing Company; William Stussie, Deputy Assistant Secretary of the Navy (Air Programs); and Richard Sylvester, Assistant Deputy Under Secretary of Defense (Systems Acquisition).

▶ Dr. Daniel Goldin, Administrator, National Aeronautics and Space Administration, assessed contracting issues in NASA and throughout the federal government at the Day 2 luncheon.

▲ Dr. Vitalij Garber, the newly appointed Director of Interoperability, served as moderator for the Interoperability Panel.

▲ Navy Rear Adm. Martin Mayer, Director for Strategy, Requirements and Integration, Joint Forces Command.

▶ Perspectives on "what's working," "what's not working," and "how to pick up the pace." Seated from left: Navy Vice Adm. Pete Nanos, Commander, Naval Sea Systems; Army Maj. Gen. John Michitsch, PEO, Ground Combat and Support Systems; Louis Kratz, Director, Logistics Systems Reengineering, DUSD (L); and Stan Soloway, Deputy Under Secretary of Defense (Acquisition Reform). Standing from left: John Roth, Deputy Director for Investment, OSD Comptroller; Pete DeMayo, Vice President for Contract Policy, Lockheed Martin Inc.; and Navy Capt. Paul Sullivan, Program Manager, Virginia Class Submarine Program Office.

▲ Panel on "Going Commercial on the Battlefield — Implications on Theater Operations." From left: Kathryn Szymanski, Chief Counsel, U.S. Army Communications-Electronics Command; Air Force Maj. Gen. Geoffrey Lambert, Director of the Center for Operations, Plans and Policy, Special Operations Command; Retired Navy Vice Adm. William Hancock, former Deputy CNO for Logistics, currently with Technology Strategies & Alliances; Lee Frame, Deputy Director, Operational Test and Evaluation (Conventional Systems); Retired Army Maj. Gen. Charles Fiala, Vice President and Chief Operating Officer, Brown and Root Services; Thomas Edwards, Deputy to the Commander, U.S. Army Combined Arms Support Command; Air Force Col. John Belcher, Chief Contracting Division, U.S. Air Force Air Combat Command; and David Oliver, Principal Deputy Under Secretary of Defense (Acquisition, Technology and Logistics), who served as panel moderator.

LAWRENCE DELANEY, ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION).

◄HARRY SCHULTE, ACQUISITION EXECUTIVE FOR SPECIAL OPERATIONS COMMAND (USSOCOM) DISCUSSED "LOGISTICS INITIATIVES FOR SPECIAL OPERATIONS COMMAND."

▲ IN HIS PRESENTATION DURING TRACK 2, "GOING COMMERCIAL IN DLA," AIR FORCE COL. WALTER KOZAK, EXECUTIVE DIRECTOR, PROCUREMENT, DEFENSE LOGISTICS AGENCY (DLA) DESCRIBED CHANGES DLA HAS MADE IN ITS CULTURE AND OPERATIONS TO BECOME MORE RESPONSIVE AND CUSTOMER-FOCUSED.

FROM LEFT: DELANEY, WILLIAM SCHAEFER, OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT & ACQUISITION), PLANNING, PROGRAMMING, AND RESOURCING; AND PAUL HOEPER, OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY (ACQUISITION, LOGISTICS & TECHNOLOGY).

◄LEE FRAME, DIRECTOR, OPERATIONAL TEST & EVALUATION.

DR. CAROLE SLEDGE (LEFT) OF THE SOFTWARE ENGINEERING INSTITUTE OUTSIDE THE SEI EXHIBIT.
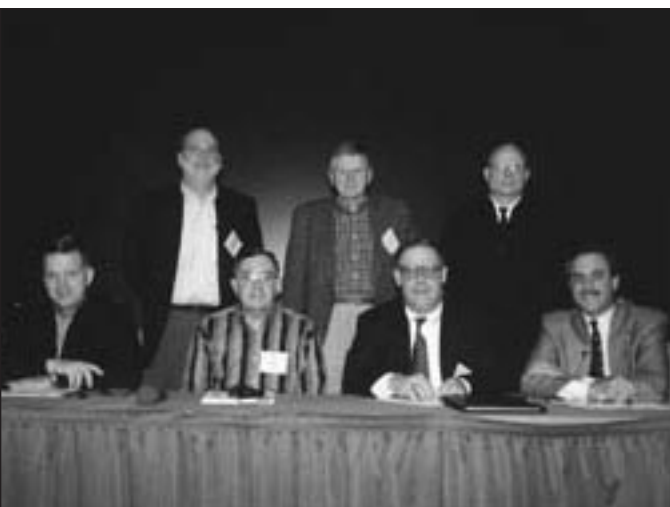
▶"THE ROAD AHEAD — ACCELERATING THE TRANSFORMATION OF DOD ACQUISITION AND LOGISTICS PROCESSES AND PRACTICES." PANEL MEMBERS SYLVESTER AND WILLIAM MOUNTS, DIRECTOR OF INTERNATIONAL AND COMMERCIAL SYSTEMS ACQUISITION.

Logistics System Modernization

Logistics system modernization was the third priority noted by Gansler. "The primary objective of logistics system modernization is to enhance our responsiveness and dependability for the warfighter. Simultaneously, we will save money as well, though that is not the main reason why we're making these changes."

Accelerate Transformation of Defense Industrial Base

Finally, DoD must continue and accelerate the transformation of the defense industrial base by taking greater advantage of world-class commercial suppliers, adopting commercial practices, and pursuing globalization. He asserted that the emerging trend toward increased use of trans-Atlantic partnerships is one way for industry to pursue interoperability.

Gansler discussed a few recent policy initiatives and organizational changes brought about by the new Defense Authorization Act. The first of these was a significant upgrade in the organizational prominence of logistics. One change, which he characterized as "not important since I already acted that way," was to include "logistics" in the name of his organization, which is now "Acquisition, Technology and Logistics." The FY2000 Authorization Act also elevated the director of logistics to a position requiring Senate confirmation.

Another organizational initiative was the creation of an Office of Interoperability to work with the Joint Staff and the acquisition community to focus on this critical issue. Earlier this year, he co-signed a memorandum requiring future development programs to address both cost and interoperability as Key Performance Parameters.

In closing, Gansler noted that most people seem to be in general agreement that changes are needed in the way we design, buy, and support our forces. What is missing, he said, is a sense of urgency about making these changes. He asked the support of all the conference attendees in helping build a renewed sense of urgency about these reforms.

Follow-up Actions From the Last Conference/Workshop

With any ongoing conference series, inevitably some attendees sooner or later will ask: "What are the follow-up actions from what we discussed here?" One new feature of this conference was a presentation by Stan Soloway, Deputy Under Secretary of Defense (Acquisition Reform), which summarized "Activities Since the Last Conference." To follow up on issues raised at the fall 1998 Eighth PEO/SYSCOM Commanders' Conference and spring 1999 PEO/SYSCOM Commanders' Workshop, Soloway discussed actions that have been taken in the areas of requirements, civil-military integration, Price Based Acquisition (PBA), and reduction of total ownership costs.

Major progress has been made in the requirements area through the Section 912c study process. Chairman, Joint Chiefs of Staff Instruction (CJCSI) 3170.01 has already been changed, and the Office of the Secretary of Defense (OSD) has begun to revise the 5000-series of acquisition policy instructions to focus on evolutionary acquisition, spiral development, and interoperability.

In the area of civil-military integration, Soloway described several legislative initiatives that help lower the barriers to integration of commercial and military sources, including improvements in cost accounting standards and handling technical data. He also stated that DoD has initiated a major review of Military Specifications and Standards reform. A multidisciplinary industry-government working group has been established to examine how standardization can help support DoD initiatives to reform the logistics system and reduce total ownership costs.

Soloway stated that "We continue to believe Price Based Acquisition offers some tremendous opportunities." Work continues on a PBA policy document, with the current effort focusing on incorporating more than 500 comments received on a previous draft.

"Service activities under the Reducing Total Ownership Costs (R-TOC) initia-tive are moving forward, with initial R-TOC plans due from the 30 pilot programs by the end of October." Soloway noted that these plans involve "a tremendous amount of work," including identification of total ownership cost reduction opportunities, barriers to accomplishing these actions, and support needed from the Services or OSD. Soloway took particular note of the Cost Reduction and Effectiveness Improvement Council (CREIC), an organization established by the Navy to identify significant opportunities for ownership cost savings and to provide funding for these opportunities.

Soloway emphasized his office's effort to use feedback from the acquisition community, as in its incorporation of 500 comments on drafts for PBA policies and procedures. He also described the new Change Management Center, which his office established after the conclusion of the 912c study on changing to a commercial environment. The Change Management Center incorporates commercial best practices and provides assistance to programs and other field organizations that are undergoing rapid change.

Interoperability Panel

Dr. Vitalij Garber, newly appointed Director of Interoperability, chaired a panel presentation on interoperability. He discussed the importance of interoperability and outlined plans to develop an overarching strategy and architectures for interoperability. Increasingly, interoperability has grown from an inter-Service to a multinational issue. U.S. forces more often are participating in multinational forces, which has made interoperability requirements more complex and more urgent.

Other participants included Navy Rear Adm. Martin Mayer, Director for Strategy, Requirements, and Forces, Joint Forces Command; and Navy Rear Adm. Robert Nutwell, Deputy Assistant Secretary of Defense for Command, Control, Communications, Intelligence, Surveillance, and Reconnaissance (C3ISR) and Space Systems. Mayer described several recent examples of the potential con-

sequences of not having interoperability, including prominent communications problems in the invasion of Grenada, the Persian Gulf conflict, and recent actions in the Balkans. Nutwell noted that interoperability increasingly is a C3I issue. He described the 1999 Chief Information Officer (CIO) legislation, which is intended to ensure C3I interoperability.

The Road Ahead

The final two presentations of the Day 1 morning session, presented by Richard Sylvester, Assistant Deputy Under Secretary of Defense (Systems Acquisition) and William Mounts, Director of International and Commercial Systems Acquisition, focused on the theme, "The Road Ahead: Accelerating the Transformation of DoD Acquisition and Logistics Processes and Practices." Describing actions that are underway to maintain and accelerate the pace of change in acquisition and support processes, they noted that many of the necessary policy and legislative actions have now been taken, and it is particularly important to emphasize two important areas:

• Development and application of metrics to quantify the rate of progress.
• Steps to promote the cultural change necessary to support changes in acquisition and support processes.

In conducting the 912c study on changing to a commercial environment, various organizational change experts told OSD that organizations often find their current workforce and culture to be among the biggest obstacles to significant change. To help acquisition programs and organizations cope with rapid organizational change, OSD has developed a Change Management Center.

Luncheon Speaker

David Oliver, Principal Deputy Under Secretary of Defense (Acquisition, Technology, and Logistics) challenged the conference attendees to propose bold solutions to acquisition and life cycle issues. He stated that the capability of future defense forces would depend heavily on the actions taken in the next few

years to reduce total ownership costs and improve force effectiveness. Because of decisions and investments made years ago, Oliver asserted, "We couldn't help but succeed." But, he stated, the effectiveness of U.S. forces in the future will be heavily dependent on actions we take now to improve affordability and effectiveness.

Oliver also noted that OSD has limited authority and resources to pursue new initiatives, but that one proper role for OSD is to provide assistance in political and budgetary issues that are broader than a single Service can handle. He discussed several recent examples where OSD worked closely with the Services and helped overcome political or institutional barriers.

Afternoon Session — Breakout Groups

The afternoon session consisted of three separate tracks, which were held at dispersed sites on the DSMC campus.

Track 1

The first track was chaired by Richard Sylvester, Assistant Deputy Under Secretary of Defense (Systems Acquisition). A lead-off panel of industry and government presenters, reflecting a mix of specialties and backgrounds, discussed PBA.

• Meredith Murphy, Director of Business Affairs and Acquisition Policy, The Boeing Company
• Herm Reininga, Vice President for Operations, Rockwell Collins
• William Stussie, Deputy Assistant Secretary of the Navy (Air Programs)
• Larry Uhlfelder, Assistant Director, Plans and Policy, Defense Contract Audit Agency.

Participants agreed that not every program is a suitable candidate for PBA. A general sentiment was that the dividing line between suitability and nonsuitability should be drawn on the basis of technical risk. At the leading edge of technology — such as the F-22 aircraft — letting industry assume all of the risk seemed unrealistic and not workable. On the other hand, clear candidates for

PBA can be found at the low-risk part of the spectrum — chocolate chip cookies, as an example.

However, most government purchases do not fall at the extremes. There is a large gray area. Examples in this gray area might be commercially available parts that need to be repackaged for military purposes. The risk is greater than just supplying an off-the-shelf product, but industry felt that they could assume this risk if it was balanced by the potential rewards.

Gia Harrigan and Beth Miller, Naval Undersea Warfare Center (NUWC), presented "Empowering the Workforce with Balanced Scorecards." They described a strategic planning process at NUWC, which was instituted as a result of a reorganization of the command. The original command underwent changes involving a relocation and, perhaps more important, a transition to a customer-funded operation. NUWC's managers used the Balanced Scorecard methodology successfully to involve employees in the management of organizational changes.

Dr. Joseph Ferrara, Deputy Director for Acquisition Systems Management, concluded Track 1 with a description of the process currently underway to change the DoD 5000 document. He reported on the cautious procedures that are in place to ensure that proposed changes to the document are fully reviewed.

Track 2

Track 2 was chaired by Skip Hawthorne, Office of the Deputy Under Secretary of Defense (Acquisition Reform). Dr. Carole Sledge of the Software Engineering Institute addressed "COTS Based Systems — Keys to Success." Sledge's presentation focused on how to incorporate COTS-based systems (CBS) into existing organizations. Especially important to understand, she stated, is the difference between COTS and other types of systems. COTS products are:

• Sold, leased, or licensed to the public.
• Offered by a vendor trying to make a profit by selling a COTS product.

- Supported and evolved by the vendor, who also retains intellectual property rights.
- Available in multiple identical copies.
- Used without modification of the internals.

Sledge identified key pitfalls in implementation of COTS, including the adopting organization's failure to recognize the need to adapt existing systems and processes to the new CBS (rather than vice versa). The advantages of COTS-based systems can be negated if the adopting organization fails to recognize changes required in its existing processes or insists on customizing the "COTS" packages.

The major part of her presentation focused on what she described as the keys to successful COTS implementation:

Make COTS-Based System Trade-offs
- Reconcile products and users' operations.
- Leverage the marketplace.
- Engineer an evolvable architecture.
- Make trade-offs simultaneously.
- Avoid COTS modifications.

Think More Like a Business
- Live by the business case.
- Negotiate licenses and supplier relationships.
- Realign budgets for market realities.

Establish Evolution as a Way of Life
- Evolve COTS-based systems continuously.
- Take the long view on systems acquisition.

Change the Culture
Change how you think about your business, how you execute your business, how the organization is structured and operates, and how your reward structure operates.

In closing, Sledge pointed out that establishing a COTS infrastructure and planning the transition to COTS-based systems are both vital to the success of a COTS strategy. Any organization plan-ning to implement COTS must assess organizational readiness, perform pilots, plan necessary organizational changes, and train people in the new systems and organizational changes required. The necessary infrastructure includes establishing necessary market research and technology watch capabilities, establishing facilities and staff for CBS, and providing examples and guidelines for implementation.

Also speaking during Track 2 were John Gehrig, Deputy Director for Resources and Ranges (Operational Test and Evaluation) and Air Force Col. Walter Kozak, Executive Director, Procurement, Defense Logistics Agency (DLA). Gehrig described recent changes in the test and evaluation (T&E) process, including the merger of development test and evaluation (DT&E) and operational test and evaluation (OT&E). He described the OSD Corporate Strategy for T&E Resources, which includes a goal to develop strategic partnerships with the Program Executive Officers (PEO) to reduce T&E expenditures and provide opportunities for joint ventures. He argued that win-win solutions, allowing T&E and acquisition communities to work together effectively and conserve resources, are necessary. Resource cutbacks have hit the test community very hard in recent years, forcing significant cutbacks in personnel and deferral of initiatives to modernize test facilities. However, funding should increase modestly in coming years, which will allow the T&E community to make some long-needed investments.

"We're trying to get away from a traffic cop mentality and work in partnership with the PEOs," said Gehrig. Identifying ways to economize on test resources and share test technologies and resources is an important part of this partnership.

Kozak's presentation, "Going Commercial in DLA," described changes DLA has made in its culture and operations to become more responsive and customer-focused. Kozak noted that DLA is now six to seven years into a fundamental change process. This change process has resulted in DLA shedding a great number of functions and concentrating on what it does best. "DLA is trying to be not only a more important player, but also a better partner," said Kozak.

Kozak described "DLA 21," DLA's strategic plan, which emphasizes commercial practices. The strategic plan calls for DLA to be "smaller, more agile, and more relevant." The number of positions at DLA has been reduced by one-third (to 42,000) from its 1992 peak of 65,000; another 10,000 positions will be eliminated by 2005.

DLA has placed a major emphasis on benchmarking best practices (both government and industry) in developing its organizational transformation plan. Besides modernizing its business systems, DLA has also instituted a number of strategic sourcing activities, including prime vendor/virtual prime vendor (PV/VPV) and direct vendor delivery. Further, DLA has also made a priority of organizational redesign and workforce development.

Important changes in DLA's operations include the location where services are provided and a new weapon system focus. Six years ago DLA was predominantly a CONUS-based activity; DLA now has developed contingency support teams, which are part of the first group to arrive in any new deployment around the world. DLA has also realigned the way it manages more than four million items by establishing a weapon system focus. Each system supported by DLA now has a single point of contact, even if the parts supporting that system are the responsibility of several different supply centers and contracts. In summarizing DLA's activities to become more customer-focused and efficient through strategic supplier alliances, PV/VPV arrangements, and long-term contracts, Kozak asserted that "DLA is in a unique position to build a DoD supply chain, tailored to program needs."

Track 3
The session was chaired by Dr. Spiros Pallas, Principal Deputy to the Director, Strategic and Tactical Systems, Office of the Under Secretary of Defense (Acqui-

sition, Technology, and Logistics). A lead-off panel of presenters from the Army, Navy, and Air Force Acquisition leadership discussed the status of the R-TOC program in their respective Services. Presenters were:

• Keith Charles, Deputy Assistant Secretary of the Army for Plans, Programs and Policy
• Eileen Roberson, Navy Acquisition Reform Executive
• Blaise Durante, Deputy Assistant Secretary of the Air Force for Management Policy and Program Integration.

Charles announced that the Assistant Secretary of the Army for Research, Development and Acquisition (ASA[RDA]) has been reorganized as the Assistant Secretary of the Army for Acquisition, Logistics, and Technology (ASA[ALT]) in recognition of the importance of logistics. A significant point in encouraging Operations and Maintenance (O&M) savings is an agreement that has been reached for ASA(ALT) to share O&M savings with O&M managers. This provides increased incentive for ASA(ALT) personnel to create O&M savings. He also pointed out that it is proper to spend O&M funds to increase reliability of spare parts , but not to enhance performance. (Research and development funding should be used for that purpose.) He said that seven or eight years ago the Army stopped the very tedious practice of asking soldiers to record all actions relating to vehicles and aircraft in an equipment logbook. This action, however popular with soldiers, has resulted in a loss of information on equipment usage and maintenance history. The Army is now embarked on a program to bring all of the CH-47 maintenance data up-to-date. He said this was possible in part due to the relatively small size of the CH-47 fleet.

Roberson reported on the Enterprise Resource Planning (ERP) and Earned Value Management (EVM) programs. The F-14 program is the "poster child" of the latter. She reported that the Navy has embarked on a five-year improvement program for Visibility and Management of Operation and Support Cost

(VAMOSC) improvement. (VAMOSC is the DoD-wide program to capture the Operating and Support [O&S] costs of major systems.) She noted that the data are on the World Wide Web for military and contractor use.

Durante reported on the Air Force's World Wide Web data system, AFTOC (Air Force Total Ownership Cost), and an R-TOC page, also on the World Wide Web. The latter has information on each Air Force pilot program. He also discussed the Air Force Corporate Structure (AFCS) and some of its processes. He described how issues and decisions flow upward from the panel level, chaired at the one-star or colonel-level, to the Air Force Group at the two-star level, the Air Force Board at the three-star level, and the Air Force Council at the four-star level.

Industry Perspective — DoD R-TOC Through Sustainment Best Practices

Just as industry has become a more visible participant in the PEO/SYSCOM Commanders' Workshops and Conferences, so too is industry participation vital to the success of DoD's R-TOC initiative.

• Bob Dickie, Parker Aerospace
• R. Noel Longuemare, Consultant
• Eddie McClendon, Raytheon-Tucson
• Mariann Pietras, Consultant.

McClendon opened the panel with a summary report stating that DoD still has too many unresolved impediments to allow for smart business decisions. Industry would like to help, but to date has not been allowed the flexibility to bring real R-TOC solutions to the table. Issues confronting joint industry-DoD partnerships include building trust between private and public partners, creating proper incentives, and correlating different Service policies. On partnering with competition, he said the idea was to "pick a good horse, and then ride him." The panel then opened the discussion for questions.

Guidelines for Pilot Programs

Army Col. James Stevens, Deputy Director Army Total Ownership Cost Re-

duction Office spoke about how Army pilot programs are critical to the logistics transformation needed to achieve Joint Vision 2010. The strategies, implementation elements, and outcome objectives that are fundamental to increased program manager oversight of system support coincide with the logistics transformation objectives of operational agility, improved customer service, and integrated logistics chains. The Army pilots are intended to accelerate the adoption of best practices — commercial and government — to transform weapon system support processes to meet the warfighters' urgent operational needs. Army pilot programs are the primary test beds for implementing product support reengineering initiatives envisioned for the Department's logistics transformation.

Stevens also discussed a set of proposed "Rules and Rights" for pilot programs. These are:

• A finite test period. (The pilot program places an additional burden on program managers and their staffs and should not be for an indefinite length of time.)
• Reporting requirements with Milestone Reviews.
• Baseline validation tracking systems.
• Required waivers.
• Funding stability.
• No wholesale changes should be made until they are proven.

Navy's Cost Reduction and Effectiveness Improvement Council (CREIC)

Navy Capt. Carl Froehlich, Office of Naval Resources, Warfare Requirements and Assessments concluded Track 3 discussions with a description of the process that is currently underway within the Navy to provide corporate visibility to R-TOC (and related) investment initiatives through the CREIC. The CREIC addresses current business practices that provide few incentives for risk-taking, no incentive to invest in an initiative if savings fall to another organization, and results in suboptimized/fragmented investment decisions. The CREIC process provides an annual

review to assess and prioritize potential investments that yield a high return on investment, reduce workload, enhance quality of life, and improve readiness. It creates positive incentives for participation by protecting unrealized savings and encouraging gain sharing between resource sponsors, program offices, and the fleet.

Day 1 Evening Session

Jeffrey Bialos, Deputy Under Secretary of Defense (Industrial Affairs) gave a short presentation on the reorganization of the Industrial Affairs office and its new emphasis on analyzing the potential impacts on DoD of industry restructuring, globalization, and other ongoing industrial trends. He described how these industrial developments can affect systems acquisition and urged program managers to consider industrial capability issues when they are making acquisition decisions.

The evening session was a high point of the conference and provided a lively discussion of the pros and cons for having contractor personnel on the battlefield to support products and the warfighter. David Oliver, Principal Deputy Under Secretary of Defense (Acquisition, Technology, and Logistics), served as moderator, and opened the panel by directing questions to specific panel members. Examples of contractor support during Desert Storm and in Kosovo were discussed, along with the problem and value of such support. Other participants included:

- Air Force Col. John Belcher, Chief Contracting Division, U.S. Air Force Air Combat Command
- Thomas Edwards, Deputy to the Commander, U.S. Army Combined Arms Support Command
- Retired Army Maj. Gen. Charles Fiala, Vice President and Chief Executive Officer, Brown and Root Services
- Lee Frame, Deputy Director, Operational Test and Evaluation, Conventional Systems
- Retired Navy Vice Adm. William Hancock
- Army Maj. Gen. Geoffrey Lambert, Director of the Center for Operations,

Plans and Policy, Special Operations Command
- Kathryn Szymanski, Chief Counsel, U.S. Army Communications-Electronics Command.

Day 2 — Special Operations Command

Harry Schulte, Acquisition Executive for Special Operations Command (USSOCOM) opened the second day's activities with a talk on "Logistics Initiatives for Special Operations Command." Special Operations Forces (SOF) logistics are based on three key components:

- The SOF Support Activity (SOFSA)
- SOF Sustainment, Asset Visibility and Information Exchange (SSAVIE)
- The Storefront.

SOFSA is a government-owned and contractor-operated logistics support facility that provides services to joint SOF units. Composed of Joint Operational Stocks (JOS) and Depot Agile Repair Teams (DART), JOS are centrally managed, stored, and maintained stockpiles of equipment available for loan to SOF units. DARTs provide depot-level work at several locations. Down time, on-site time, and costs are lowered significantly using DARTs. SSAVIE is an integrated, Web-based logistics system providing centralized asset and materiel management, while the Storefront provides customers a focused entry point into the whole system. Besides more responsive service, SOF is also beginning to address cost-reduction opportunities as well.

Panel on What's Working And What's Not Working

Deputy Under Secretary of Defense (Acquisition Reform), Stan Soloway chaired a panel entitled, "Perspectives on 'What's Working,' 'What's Not Working,' and 'How to Pick up the Pace.'" This was a unique panel where industry and Service representatives from various levels in the acquisition, logistics, and financial communities provided their views on strengths and weaknesses in DoD's current acquisition and logistics reform initiatives. Members of the panel included:

- Program managers' perspective — Navy Capt. Paul Sullivan, Program Manager, Virginia Class Submarine Program Office
- PEOs' perspective — Army Maj. Gen. John Michitsch, PEO Ground Combat and Support Systems
- Systems commanders' perspective — Navy Vice Adm. "Pete" Nanos, Commander Naval Sea Systems Command
- Logistics perspective — Louis Kratz, Director Logistics Systems Re-engineering, OSD Acquisition, Technology, and Logistics
- Industry perspective — Pete DeMayo, Vice President for Contract Policy, Lockheed Martin
- Comptrollers' perspective — John Roth, Deputy Director for Investment, OSD Comptroller.

While each speaker highlighted some difficulties with the speed and pace of commercialization, all agreed that commercial practices would ultimately benefit the acquisition community. Areas that were considered to be working included IPTs (though there was some sentiment that some IPTs may continue to function after they have outlived their usefulness); acquisition reform initiatives (including specifications reform and the single process initiative); electronic commerce; innovative contracts, including the use of Other Transaction Authority; and improved logistics initiatives such as direct vendor delivery. Areas identified by one or more speakers as needing further work included: incentives; the budget process; and modeling and simulation to replace testing. Several speakers noted the potential to reduce support costs through expanded contractor logistics support, but also observed that such initiatives are often subject to opposition from Capitol Hill.

Small Business Utilization

Robert Neal, Director, Office of Small and Disadvantaged Business Utilization, spoke on the contributions his organization can make to acquisition reform. "We're not a traffic cop," he said. "We're part of the acquisition team, and we're here to help you identify quality subcontractors who can help you accomplish your mission." He noted that it is

important for programs and prime contractors to provide increased opportunities for small business not only because it is a congressional requirement, but also because small businesses can provide an efficient and innovative source of new capability. He stressed that his office was committed to work with programs and offered his assistance in meeting small business objectives.

Day 2 Luncheon Speaker

Dr. Daniel Goldin, Administrator, National Aeronautics and Space Administration (NASA), provided the Day 2 luncheon address. Goldin presented a very candid assessment of contracting issues in NASA and throughout the federal government. He also discussed the re-

structuring and downsizing efforts within NASA and gave a status report on the transformation of NASA's mission design and acquisition processes.

Following Goldin's presentation, Gansler moderated a panel of the Service Acquisition Executives:

• David Oliver, Principal Deputy Under Secretary of Defense (Acquisition, Technology, and Logistics)
• Paul J. "Page" Hoeper, Assistant Secretary of the Army (Acquisition, Logistics, and Technology)
• William J. Schaefer, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition), substituting for Lee Buchanan,

Assistant Secretary of the Navy (Research, Development, and Acquisition)
• Lawrence Delaney, Assistant Secretary of the Air Force (Acquisition).

After individual opening remarks, panel members answered questions from the conference attendees. Gansler closed the conference with thanks to the conference planning team, presenters, and all the attendees for making this another very successful PEO/SYSCOM Commanders' Conference.

Editor's Note: Presentations from the conference are available at: **http://www.acq.osd.mil/dsac/confern.htm.**

The DoD High Performance Computing Modernization Program (HPCMP) Users Group Conference will be held in Albuquerque, N.M., June 5-9, 2000.

The Office of the Secretary of Defense is investing a significant amount of funding in high performance computing to provide the U.S. military with a technological advantage to support warfighting requirements. The DoD HPCMP provides advanced hardware, computing tools, and training to DoD researchers utilizing the latest technology to aid their mission in support of the warfighter. The incorporation of high performance computing into the system design process allows the United States to maintain its technological supremacy in weapons systems design into the foreseeable future. The use of high

performance computing in the early stages of the system acquisition process aids in decreasing the total life cycle costs of fielding new warfighting support systems.

The program has three initiatives:

• High Performance Computing Centers — Major Shared Resource Centers and Distributed Centers
• Networking — Defense Research and Engineering Network
• Software — Common High Performance Computing Software Support Initiative

This program is under the cognizance of the Deputy Under Secretary of Defense for Science and Technology.

For more information, visit the conference Web site at:

http://hpcmo.hpc.mil/Htdocs/UGC/index.html